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Message Text

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15
ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 XMB-04 FAA-00 DOTE-00 /024 W
---------- 060842
R 171645Z MAR 76
FM AMEMBASSY ATHENS
TO SECSTATE WASHDC 3197
INFO USDOC WASHDC
FAA BRUSSELS
AMEMBASSY ROME
AMEMBASSY LONDON

UNCLAS ATHENS 2532

EO 11652 NA
TAGS BEXP, BENC, EAIR, EFIN, GR
SUBJ: OLYMPIC PURCHASE OF B-737'S
REF ATHENS 2394
ROME FOR RCAA
EXIMBANK FOR TUTINO/USDOC FOR BID/OED COHEN

1. AT A PRESS CONFERENCE ON MARCH 16, OLYMPIC AIRWAYS GENERAL MANAGER VASSILIADIS ANNOUNCED OFFICIAL DECISION OF OLYMPIC BORAD TO PURCHASE FOUR B-737-200'S FOLLOWING IS SUMMARY OF ANNOUNCEMET.
2. OLYMPIC AIRWAYS IS IN POSITION TO ANNOUNCE THE PURCHASE OF FOUR BOEING 737-200 AIRCRAFT. OLYMPIC'S FIRST TARGET, SINCE BECOMING A FULLY GOVERNMENT-OWNED ENTERPRISE, HAS BEEN THE THOROUGH SERVICING OF DOMESTIC PASSENGER TRAFFIC AND STRENGTHERING OF ITS INTERNATIONAL SERVICE NETWORK. IT WILL THUS CONNECT GREECE WITH GREEKS ABORAD AND INCREASE INTERNATIONAL PASSENGER TRAFFIC TO GREECE. TO SATISFY THESE AIMS, OLYMPIC DECIDED LAST YEAR TO STRENGTHECN ITS FLEET THROUGH PROCUREMNT OF FOUR NEW AIRCRAFT OF ABOUT 120 SEATS. OLYMPIC PROCEEDED BY REVIEWING THE TECHNICAL AND ECONOMIC EVALUATION OF THE AIRCRAFT BEST SUITED TO ITS REQUIREMENTS AMONG THE FOLLOWING THREE TYPES AVAILABLE IN THE INTERNATIONAL MARKET (A) BOEING 737-200, (B) DC-9-50, AND (C) BAC-111-500. OLYMPIC CONTACTED THE RESPECTIVE MANUFACTURING FIRMS AND REQUESTED PROPOSALS.
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AFTER EVALUATION OF WHICH IT SELECTED B-737-200 AS THE

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AIRCRAFT MOST SUITABLE FOR ITS REQUIREMENTS. A NINE-MEMBER OFFICIAL COMMITTEE, CHAIRED BY GENERAL ELIAS DEROS, CAA GOVERNOR, WAS SUBSEQUENTLY APPOINTED BY THE MINISTER OF TRANSPORT AND COMMUNICATIONS. THE COMMITTEE RE-EXAMINED THE PROPOSALS ALREADY SUBMITTED AND THOSE SUBMITTED SUBSEQUENTLY BY THE MANUFACTURING FIRMS AND IT PARTICIPATED IN DEMONSTRATIONS. THE COMMITTEE UNANIMOUSLY SELECTED BOEING 737-200.

3. THE PRIMARY AIM OF ADDING FOUR NEW AIRCRAFT TO OLYMPIC'S FLEET IS IMPROVEMENT OF DOMESTIC SERVICE, PARTICULARLY IN THE NATIONALLY SENSITIVE AEGEAN SEA AREA. ALSO, THE OLYMPIC INTERNATIONAL NETWORK WILL EXPAND BY INCREASING THE NUMBER OF ROUTES PARTICULARLY TO POINTS WITH GOOD PROSPECTS FOR INCREASED TRAFFIC. ADDITIONALLY, ROUTE TO LIBYA, SAUDI ARABIA, AND THE UNITED ARAB EMIRATES WILL BE INITIATED, IN SUPPORT OF THE GOVERNMENT'S POLICY OF STRENGTHERING ECONOMIC AND COMMERCIAL RELATIONS WITH THE ARAB COUNTRIES.

4. TOTAL INVESTMENT OF ABOUT $35 MILLION ($27 MILLION FOR AIRCRAFT: $8 MILLION FOR SPARE ENGINES, PARTS, ETC). WILL BE FINANCED AS FOLLOWS: 55 PERCENT BY EXMIBANK AT 8 PERCENT FIXED INTEREST; 35 PERCENT BY AMRICAN COMMERCIAL BANKS; AND 10 PERCENT BY EUROPEAN COMMERCIAL BANKS, REPAYABLE IN TEN YEARS. LOANS WILL BE SERVICED OUT OF THE PROCEEDS FROM OPERATION OF THE AIRCRAFT, IT IS EMPHASIZED THAT OPERATION OF THESE NEW AIRCRAFT WILL INCUR AN INFLOW RATHER THAN AN OUTFLOW OF FOREIGN EXCHANGE, SINCE PROJECTED FOREIGN EXCHANGE RECEIPTS WILL LEAVE A SURPLUS AFTER DEDUCTING EXPENDITURES. FINANCING TERMS ARE CONSIDERED MOST FAVORABLE AND ARE AT INTERNATIONALLY ACCEPTABLE LEVELS.

5. TWO OF THE AIRCRAFT WILL BE DELIVERED IN JUNE 1976, A THIRD IN OCTOBER, AND THE FOURTH IN NOVEMBER 1976. TO MEET REQUIREMENTS OF AN ANTICIPATED INCREASE IN SUMMER TRAFFIC, ESTIMATED AT 46 PERCENT ABOVE 1974 AND 19 PERCENT ABOVE 1975, BOEING WILL LEASE TO OLYMPIC TWO AIRCRAFT UNDER PARTICULARLY FAVORABLE TERMS. THE SEVEN-MONTH LEASE WILL COMMENCE ON APRIL 1, 1976.

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Automatic Decaptioning: X
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Draft Date: 17 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
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Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
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